

Message Text

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C O N F I D E N T I A L MOSCOW 03465

E.O. 11652: GDS

TAGS: ETRD, EEW, UR, US

SUBJECT: ALLIS-CHALMERS SIGNS SCIENTIFIC/TECHNICAL COOPERATION

AGREEMENT

USDOC FOR BEWT/TDAD PLANAGAN

1. ALLIS-CHALMERS BOARD CHAIRMAN SCOTT MET WITH AMBASSADOR MARCH 13 TO GIVE RUN-DOWN ON DISCUSSIONS WITH SOVIETS AND ON COMPANY'S SCIENTIFIC-TECHNICAL COOPERATION AGREEMENT WITH STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, WHICH WAS SIGNED NEXT DAY.

2. SCOTT STRESSED THAT ALLIS-CHALMERS WAS QUITE SERIOUS IN ITS APPROACH TO SIVET MARKET AND SAW MAJOR POSSIBILITIES FOR SALES HERE, PARTICULARLY IN FERROUS AND NON-FERROUS METALLURGY AREAS. (COMMENT: REFLECTING THIS EMPHASIS IN A-C'S RELATIONSHIP WITH SOVIETS, SPEARATE COOPERATION PROTOCOLS WERE ALSO SIGNED MARCH 14 WITH MINISTRIES OF FERROUS AND NON-FERROUS METALLURGY. END COMMENT). SCOTT NOTED THAT A-C SAW DEFINITE POSSIBILITIES OF ACQUIRING USEFUL TECHNOLOGY FROM SOVIETS IN METALLURGY AND ELECTRICAL GENERATING EQUIPMENT AREAS, AND HE POINTED OUT THAT A-C'S PROTOCOL WITH STATE COMMITTEE CALLED FOR "EXCHANGE" RATHER THAN "TRANSFER" OF TECHNOLOGY. AMBASSADOR AGREED THAT THIS WORDING WAS PREFERABLE IN VIEW FEARS EXPRESSED IN U.S. THAT FLOW OF TECHNOLOGY WOULD BE EXLCUSIVELY IN SOVIET DIRECTION.

3. NOTING THAT SOVIETS HAD MADE CONSIDERABLE STRIES IN CONSTRUCTION OF VERY LARGE ELECTRICAL GENERATORS FOR HYDROPOWER

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STATIONS, SCOTT SAID A-C WAS IN PRINCIPLE INTERESTED IN

OBTAINING ACFESS TO SOVIET TECHNOLOGY. HE ADDED THAT HE HAD COME TO MOSCOW FROM TOUR OF MIDDLE EAST, WHERE HE HAD BEEN IMPRESSED WITH POSSIBILITY OF COOPERATION BETWEEN A-C AND SOVIETS ON SPECIFIC DEVELOPMENT PROJECTS, PARTICULARLY MAJOR HYDROPOWER PROJECTS IN IRAQ. HE ASKED WHETHER AMBASSADOR WOULD REGARD SUCH PROJECTS AS FEASIBLE AND IN U.S. INTEREST. IN REPLY, AMBASSADOR SUGGESTED THAT SOVIETS MIGHT BE RELUCTANT TO BECOME IDENTIFIED WITH U.S. COMPANY IN COUNTRY SUCH AS IRAQ BUT AGREED THAT IDEA WAS INTERESTING. (COMMENT: IN FURTHER DISCUSSION, IT EMERGED THAT SAMUEL PISAR, WHO IS ADVISING A-C IN ITS DEALINGS WITH SOVIETS AND ACCOMPANIED SCOTT TO MOSCOW, WAS RESPONSIBLE FOR THIS SUGGESTION. PISAR IN DISCUSSION WITH AMBASSADOR, RECALLED THAT POSSIBILITY OF US-SOVIET JOINT PROJECTS IN THIRD-WORLD COUNTRIES HAD ORIGINALLY BEEN BROACHED DURING DAVID ROCKEFELLER'S DISCUSSIONS WITH KOSYGIN IN APRIL 1974. END COMMENT).

4. SCOTT ALSO ADVISED AMBASSADOR THAT A-C WAS PLANNING TO APPLY FOR OFFICE IN MOSCOW IN VIEW OF ITS EXISTING AND PROJECTED BUSINESS HERE. A-C OFFICIALS NOTED, HOWEVER, THAT COMPANY HAD JUST LOST MAJOR ORDER TO ITS FRG COMPETITOR LURGI FOR IRON ORE BENEFICATION PLANT TO BE CONSTRUCTED AT KOSTAMUKSHA IN KARELIA UNDER FINNISH-SOVIET AGREEMENT.

5. COMMENT. COMPARED WITH OTHER US FIRMS WHICH SIGN SCIENTIFIC/TECHNICAL COOPERATION AGREEMENTS WITH SOVIETS, A-C IS SOMEWHAT MORE ADVANCED SINCE IT ALREADY HAS DONE SUBSTANTIAL BUSINESS HERE, EITHER DIRECTLY OR THROUGH ITS FIAT-ALLIS JOINT VENTURE. IN CONVERSATION WITH DCM AND COMMATT AT MARCH 14 RECEPTION, SCOTT NOTED THAT STATE COMMITTEE DEPUTY CHAIRMAN GVISHIANI HAD EXPRESSED CONCERN TO HIM THAT SO MANY OF THE SCIENTIFIC/TECHNICAL COOPERATION AGREEMENTS SIGNED WITH U.S. COMPANIES HAD NOT LED TO CONCRETE BUSINESS. REFLECTING THIS CONCERN, SCOTT AND GVISHIANI HAVE AGREED TO MEET IN MOSCOW IN THREE MONTHS TO REVIEW PROGRESS MADE IN IMPLEMENTING AGREEMENT BY WORKING GROUPS WHICH ARE IN PROCESS OF FORMATION.

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